

Message Text

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PAGE 01 STATE 221701
ORIGIN TRSE-00

INFO OCT-01 ARA-10 IO-13 ISO-00 STR-07 EB-08 NSCE-00
ICAE-00 INRE-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 ITC-01
SP-02 SOE-02 OMB-01 DOE-15 XMB-02 OPIC-03 JUSE-00
/118 R

DRAFTED BY TREAS:I/IDN:JJOHNSON
APPROVED BY ARA/ECA:CWRISER
TREAS:IDN:RPELIKAN
TREAS:ITT:JRAY(IN DRAFT)
TREAS:ID:ANACHMANOFF(SUBSTANCE)
TREAS:I:FBERGSTEN(SUBSTANCE)
STR:JGREENWALD(IN DRAFT)
EB/OT/TA:HKOPP
-----049420 311856Z /43
O 311821Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY BRASILIA IMMEDIATE
INFO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L STATE 221701

PASS FINATT

E.O. 11652:

TAGS:

SUBJECT: ; S. PROPOSAL ON PHASE-OUT OF BRAZILIAN EXPORT
SUBSIDIES

REF: REFTEL A: BRASILIA 6786, REFTEL B: STATE 218148

1. YOU MAY EXCLUDE REFERENCE TO AN EXPLICIT PHASE-
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CONFIDENTIAL

PAGE 02 STATE 221701

OUT PERIOD IN PAPER GIVEN TO GOB. HOWEVER, YOU
SHOULD URGE VERBALLY UPON DORNELLES THE NEED FOR GOB
AGREEMENT TO THE GENERAL AND EXPLICIT PHASE-OUT PERIOD
WE PROPOSED DURING THE AUGUST 21-23 DISCUSSIONS.
FURTHERMORE, CURRENT PLANNING CALLS FOR AN MTN CODE
AGREEMENT TO BE CONCLUDED BY NO LATER THAN MID-
DECEMBER. THEREFORE, WE BELIEVE THAT BILATERAL

DISCUSSIONS ON THE FINAL TEXT OF A PHASE-OUT AGREEMENT, INCLUDING REFERENCES TO AN EXPLICIT TIME PERIOD, WILL HAVE TO BE CONCLUDED SOON AFTER THE BRAZILIAN CONGRESSIONAL ELECTIONS IN NOVEMBER. PLEASE CONFIRM WITH DORNELLES THAT THIS TIMETABLE IS ACCEPTABLE.

2. YOU MAY SUBSTITUTE FOR PARAGRAPH 3-G OF REFTEL B LANGUAGE ALONG THE FOLLOWING LINES:

3. BEGIN QUOTES: AGREEMENT TO PHASE OUT EXPORT SUBSIDIES WITHIN A MUTUALLY-AGREED TIME PERIOD TO BE DETERMINED IN SUBSEQUENT DISCUSSIONS. WHERE PHASE OUT IS SCHEDULED OVER A BRIEF PERIOD, REDUCTIONS IN THE SUBSIDY COULD BE LARGER NEAR THE END OF THAT PERIOD; WHERE A LONGER PERIOD WERE SELECTED, THE CUTS IN THE SUBSIDY WOULD HAVE TO BE LARGER AT THE START OF THAT PERIOD. PHASE OUT WOULD NOT HAVE TO BE UNIFORM FOR ALL PRODUCTS/INDUSTRIES (I.E., BRAZIL COULD HAVE FLEXIBILITY TO TAILOR PHASE OUT TO SPECIFIC NEEDS). END QUOTES.

4. NOTE THAT THE REVISED TEXT NO LONGER IDENTIFIES THE EXACT NATURE OF THE TRADE-OFFS BETWEEN THE LENGTH OF THE PHASE-OUT PERIOD AND THE TIMING OF THE CUTS. NEVERTHELESS, EMBASSY IS ALSO REQUESTED TO RECONFIRM THAT DORNELLES UNDERSTANDS OUR POSITION ON THE CONFIDENTIAL

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PAGE 03 STATE 221701

TRADE-OFFS AS THEY ARE DESCRIBED IN PARAGRAPH 3-G OF REFTEL B.

5. PLEASE REPORT ON RESULTS OF FRIDAY MEETING WITH DORNELLES. VANCE

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NNN

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